

S&P Global Hong Kong SAR PMI[®]

Business conditions deteriorate for first time in eight months in March

March 2026

Output declines amid fresh fall in new orders

Input costs and selling prices both increase at slower rates

Uncertainty over the outlook weighs on business confidence

Private sector firms in Hong Kong signalled a renewed deterioration in operating conditions in March, with output and total new business declining amid reports that the war in the Middle East had dampened demand conditions.

At the same time, inflationary pressures cooled, with overall input costs and output charges both rising at slower rates. However, concerns of future supplier price hikes contributed to a marked rise in purchasing activity and inventories of inputs increased again. Employment also expanded, which helped reduce levels of outstanding business. However, confidence around the one-year outlook for activity turned more pessimistic as firms expressed concerns over the impact of the war in the Middle East.

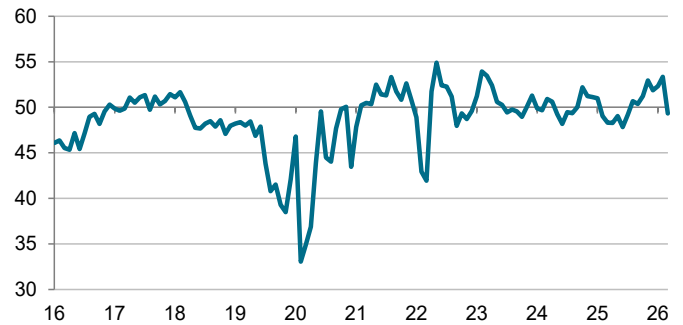
The headline seasonally adjusted S&P Global Hong Kong SAR Purchasing Manager's Index™ (PMI[®]) – a composite single-figure indicator of performance – posted below the neutral 50.0 threshold at 49.3 in March, down from a 35-month high of 53.3 in February, to signal a renewed deterioration in the health of Hong Kong's private sector. Though only marginal, it marked the first reduction since last July.

The drop in the headline index partly reflected a fresh fall in total new business placed with private sector firms in Hong Kong. Not only did overall new orders fall at a solid pace that was the quickest in nine months, but the reduction followed a historically strong five-month period of expansion. According to panellists, the war in the Middle East had dampened sales by weighing on consumer confidence, stock market performance and client spending. Total new export business likewise declined solidly in March after a four-month period of growth. However, demand from mainland China bucked the wider trend, and increased for the sixth month in a row, albeit at a slower and only modest pace.

The weaker overall demand environment drove a fresh fall in business activity across Hong Kong's private sector. Though modest, it marked the first decline in output since last July.

Although output and new orders fell in March, companies continued to raise their staffing levels. Whilst modest, the rate of payroll growth was the best seen in nearly two years, with firms often noting that they had hired extra staff to help

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Index, sa, >50 = improvement m/m



Data were collected 12-26 March 2026.

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Comment

Commenting on the latest survey results, Annabel Fiddes, Economics Associate Director at S&P Global Market Intelligence, said:

“After rising solidly over the first two months of 2026, output and new orders across Hong Kong's private sector fell into decline in March amid reports that the war in the Middle East had adversely impacted demand. Panel members indicated that lower confidence and spending had impacted demand both at home and overseas, though it was encouraging to see demand from mainland China continued to expand.

“It was also encouraging to see that inflationary pressures continued to cool, particularly with respect to purchase price inflation. Nevertheless, a number of firms anticipated future increases in supplier prices amid potential disruptions to markets and supply chains arising from the war. As a result, companies raised their purchasing activity at a marked pace and continued to build their inventories. Furthermore, while business confidence was on the cusp of turning positive in February, it fell deeper into negative territory in March as firms projected further demand weakness in the months ahead.”

cope with recent increases in new work. This in turn helped to reduce outstanding business, which fell for the first time since last November.

Purchasing activity also rose in March, and at a sharp pace that was the fastest recorded in just over three years. While this was partly linked to new projects and strong increases in new work in prior months, there were also mentions of firms buying more inputs ahead of anticipated supplier price hikes. Concurrently, stocks of purchases rose at the strongest pace in nine months. Supplier performance meanwhile improved slightly, following a deterioration in February.

Latest survey data pointed to a further easing of inflationary pressure across Hong Kong's private sector. Notably, overall input prices increased at the softest pace since last August. Underlying data indicated that the rate of purchase price inflation slowed to a seven-month low, while staffing costs rose at a quicker, but modest pace.

In line with the trend seen for overall costs, private sector firms raised their selling prices at a weaker rate in March. Furthermore, the pace of increase was the slowest recorded in five months. A number of firms mentioned that competition for new business had dampened the overall pace of charge inflation.

When assessing the one-year outlook for business activity, firms expressed greater pessimism in March. Notably, the degree of negative sentiment was the most pronounced since last June, with a number of monitored companies linking downbeat forecasts to the global impact of the war in the Middle East.

Methodology

The S&P Global Hong Kong SAR PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 private sector companies. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in July 1998.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

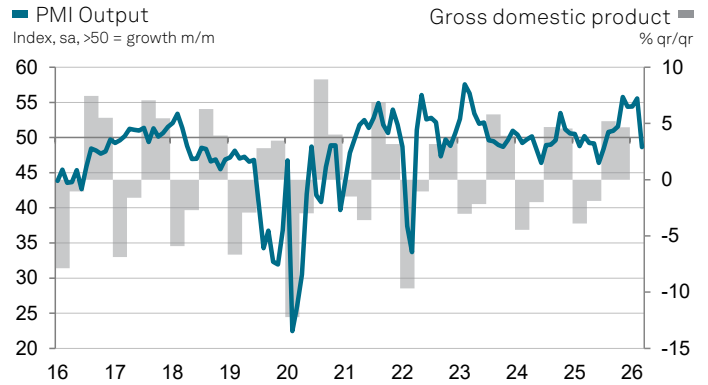
Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

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Contact

Annabel Fiddes
Economics Associate Director
S&P Global Market Intelligence
T: +44-1491-461-010
annabel.fiddes@spglobal.com

Eri Amano
APAC Senior Communications Manager
S&P Global Market Intelligence
+81 (0) 80 3714 7658
eri.amano@spglobal.com

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PMI by S&P Global

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